

SMOKING AND HEALTH

Executive Summary:

It is commonly acknowledged that smoking is a risk factor for certain human diseases. ~~Philip Morris U.S.A. believes that~~ Consumers are aware of these potential risks. ~~We further believe, however, that~~ adults are entitled to make their own decisions about smoking, just as they are entitled to make other lifestyle choices that may present potential health risks. Almost 50 million American adults make the informed decision to smoke.

Philip Morris U.S.A. position:

- and it's potential health effects.*
1. Each year, ^{Since 1964} the Surgeon General ^{has issued a} issues a report on some aspect of cigarette smoking. ^{while we disagree w/ many of the statements and conclusions of report.} Since 1964 many such reports have dealt with the potential health effects of smoking. Each report lists the scientific articles it relies upon. ~~We do not agree with all the conclusions in the reports, but we do recognize cigarette smoking as a risk factor for certain diseases.~~
2. There is considerable evidence that smokers seem to make their smoking decision with knowledge about the potential health risks of smoking. Consumers understand the potential health risks associated with tobacco use. Warning labels have appeared on every cigarette pack since 1966 and in every advertisement since 1971. *← not strong enough. what evidence?*
3. Adults are entitled to choose whether or not to smoke just as they are entitled to make other lifestyle choices that may present potential health risks. Almost 50 million American adults make the informed decision to smoke, and they do so because they enjoy smoking.

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CONSUMER EXCISE TAXES

Executive summary:

Smokers currently pay more than \$13 billion annually in taxes on cigarettes. Despite this, efforts are made each year to impose even higher excise taxes on cigarettes.

Philip Morris U.S.A. strongly opposes cigarette excise taxes for several reasons. Excise taxes unfairly single out one group of consumers to pay for government services that benefit everyone. Excise taxes take a much larger percentage of income from working people than from the rich. Excise taxes cost jobs, as higher prices drive down sales.

Philip Morris U.S.A. position:

1. Excise taxes cost jobs. As excise taxes drive up the price of the product being taxed, sales of that product decrease. This in turn results in job loss. For example, based on an analysis of a Price Waterhouse study, a 75-cent-per-pack increase in the federal excise tax on cigarettes could result in the loss of 275,000 jobs nationwide in core tobacco and related industries.
2. Excise taxes single out one group of consumers to pay government costs that are everyone's responsibility. Smokers pay more than \$13 billion in federal, state and local cigarette taxes each year, taxes that non-smokers do not pay.
3. Excise taxes hurt lower-income people hardest. A 1993 study by the Peat Marwick accounting firm found that 54 percent of all American families earn less than \$30,000 annually. While these families account for only 19 percent of all family income earned in the U.S., they pay 54 percent of all excise taxes.
4. High cigarette excise taxes ^{could} encourage violent crime. Canada is a perfect example. In 1990, the Canadian government imposed cigarette taxes that were so steep that the price of a pack of premium cigarettes rose to roughly \$4.70 [Canadian]. The result was a surge in violent crime related to cigarette smuggling, theft and black market sales. The problem became so extreme, that Canada's federal and provincial governments lost a combined C\$2 billion last year alone, due to smuggling. Finally, the government was forced to respond to the growing crime problem and in 1994, lowered the excise tax by C\$5.00 per carton. ✓
5. Cigarette taxes are an unreliable source of revenue. Excise tax revenue fluctuates from year to year because it is tied directly to sales of the taxed product. Since higher taxes tend to reduce sales, the revenue from cigarette excise taxes is never as high as proponents project it will be. Often, this leads to additional increases in other forms of taxation to cover the shortfall.

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THE FEDERAL EXCISE TAX AND HEALTH CARE

Executive Summary:

Although Philip Morris U.S.A. strongly supports the goal of sensible and fair health care reform, relying on cigarette taxes to fund such a program would be unfair and unwise.

Philip Morris U.S.A. position:

1. Sensible and fair health care reform is a worthy goal. We believe it would be wrong, however, to single out one group of consumers -- smokers -- to pay the costs of a government program that will presumably benefit all Americans.
2. Spending more money on health care will not solve our health care problems. According to *Consumer Reports*, the United States spent \$817 billion on health care last year. Of that amount, at least \$200 billion was wasted on unnecessary tests and bureaucracy. Congress needs to bring existing expenditures under control before considering tax increases.

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EARMARKING EXCISE TAXES

Executive Summary:

In some instances, elected officials and special interest groups try to increase cigarette excise taxes to pay for specially "earmarked," or pet projects. For example, smokers in Cleveland helped fund construction of a new baseball stadium for the Cleveland Indians. Smokers in Massachusetts and California are now funding multi-million dollar anti-smoking campaigns.) - true?

Earmarked taxes of any kind are unfair because they force one group of consumers to pay for government programs that serve all citizens. In addition, earmarking makes government less flexible and less able to respond to changing budgetary needs. - and Taxunreliable source of revenue

Philip Morris U.S.A. Position:

1. Excise taxes are an unreliable source of revenue. Government services such as health care and public education should not depend on the number of cigarettes sold in a given year.] shouldn't this be the declining sales argument.
2. Earmarking prevents comprehensive budgeting. It reduces fiscal flexibility, making it more difficult for the government to adapt a budget to changing economic conditions.
3. Earmarking, by removing expenditures from review, makes the budgetary process arbitrary. Inefficient or obsolete programs may be continued simply because they are financed by earmarked revenues. Responsible fiscal policy requires that programs should be evaluated periodically and funded on the basis of their necessity, efficiency and success.
4. It is unfair to force smokers to pay for government services that benefit the entire community. Services such as education, highway maintenance and health care are everyone's responsibility. These programs should be funded with fair, progressive, broadly-based taxes.

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USING THE TAX CODE FOR SOCIAL ENGINEERING

Executive Summary:

Anti-smokers, including some elected officials and regulatory officials, support increases in cigarette excise taxes as a way to prevent minors from smoking, force people to stop smoking, or inflict economic punishment on people who continue to smoke. This is a blatant misuse of our nation's tax system. The tax code is designed to raise revenue, not to engineer social change. The government should not use tax hikes to modify the private, lawful behavior of adults.

Philip Morris U.S.A. Position:

I. Taxes should be used to raise revenue, not to impose moral standards. Taxing people to force them to change their legal behavior amounts to social engineering -- an inappropriate and inefficient use of the tax code. Many everyday pleasures, such as high-fat foods and recreational driving, present potential health risks to the people who choose to enjoy them. Obesity allegedly "costs" \$49 billion a year (American Medical Association, "Factors Contributing to the Health Care Cost Problem," March 1993), and softball injuries produce an annual "cost" of \$2 billion in medical expenses and lost work days (*Morbidity and Mortality Weekly Report*, March 25, 1988). It is as wrong to put a punitive tax on cigarettes as it would be for the government to levy special taxes on high fat foods or bats and balls.

*memo - ~~extensive~~ studies suggest
principal factors influencing
are . . .*

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CHARGES OF NICOTINE "SPIKING"

Executive Summary:

In February 1994, Food and Drug Commissioner David Kessler sent a letter to a national anti-smoking organization, suggesting that tobacco companies may intentionally manipulate the level of nicotine in cigarettes. Those charges were repeated and expanded upon in subsequent weeks by ABC-TV's "Day One" program.

These allegations are totally false. Philip Morris U.S.A. does not "spike" cigarettes with extra nicotine. The cigarette manufacturing process actually lowers the amount of nicotine in raw tobacco. Nicotine levels appear in every advertisement for cigarettes. Average cigarette nicotine levels have been falling steadily for decades.

Yields

Philip Morris U.S.A. position:

1. Philip Morris U.S.A. does not "spike" its cigarettes with nicotine. The substance occurs naturally in tobacco. There is nothing in the processing of tobacco or the manufacture of cigarettes by Philip Morris that increases the nicotine in our products above what is naturally found in tobacco. In fact, nicotine levels in raw, unprocessed tobacco are higher than those found in the finished cigarette.
2. In response to consumer preferences, the overall nicotine ~~content~~ ^{yield of} in our cigarettes has declined by more than 50 percent over the last 40 years.
3. We manufacture products covering a range of tar and nicotine levels. These levels are published in all of our advertisements, ~~so consumers are aware of the nicotine content of their cigarette.~~
4. Philip Morris has spent hundreds of millions of dollars attempting to develop a no-nicotine cigarette that appeals to consumers. So far, we have been unsuccessful.
5. In March 1994, Philip Morris initiated a \$10 billion libel suit against ABC. In the complaint Philip Morris charges that ABC knowingly made a number of false allegations against Philip Morris and that both Philip Morris Companies Inc. and Philip Morris U.S.A. have been severely damaged by the false and defamatory statements made by ABC.

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Talk
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why not include exact quote.

yield

yield

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6. Philip Morris will continue to cooperate fully with Commissioner Kessler's investigation. FDA researchers were given complete access to our Richmond manufacturing facilities, and were impressed both by the openness of our manufacturing operations and by the candor of our research personnel.

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ENVIRONMENTAL TOBACCO SMOKE (ETS)

Executive Summary:

In January 1993 the U.S. Environmental Protection Agency (EPA) issued a "risk assessment" categorizing environmental tobacco smoke (ETS) as a Group A carcinogen. The EPA report was based upon a review and statistical analysis of selected research studies. The EPA report continues to receive considerable media attention, and has been the basis for lawsuits against the tobacco industry, legislative and regulatory efforts to restrict smoking, and private employers' decisions to ban smoking.

Philip Morris U.S.A. believes the EPA's risk assessment is riddled with inconsistencies and inaccuracies. We believe that even before the EPA set out to do this research, the researchers involved had already decided that the report would conclude that secondhand smoke is a carcinogen. Philip Morris has joined other tobacco industry groups in a federal lawsuit to have the entire report declared null and void.

Philip Morris U.S.A. position:

1. The researchers who conducted this investigation did no original research but instead selectively sorted through existing research, ~~and included only those studies that supported their pre-determined conclusion that secondhand smoke is dangerous to non-smokers.~~
overly statistically significant
2. For example, the EPA chose to omit from its report *one* the largest study ever conducted on this issue, funded in part by the National Cancer Institute, which reported no ~~increased incidence~~ *risk* of lung cancer among spouses of smokers.
3. Of the 30 studies *relationship b/w ETS and* that were included in the EPA report, 24 also showed no statistically significant ~~risk for~~ lung cancer among non-smokers. But the EPA took these studies, and simply manipulated the data to support its pre-conceived notions. The six that did show a statistical association did not take into consideration confounding factors including cultural and environmental influences.
4. The EPA's actions *may* violate the Federal Radon Act, as the agency does not have the regulatory authority to issue a classification on ~~indoor air, ETS.~~
5. In June 1993 we joined with other ~~tobacco~~ industry groups, including ~~our competitor~~ R.J. Reynolds Tobacco Company, in filing a lawsuit in federal court to have the entire EPA report declared null and void. In July 1994 the federal district court rejected the EPA's motion to dismiss the industry action. This ruling by the

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court permits the case to proceed toward trial for a full review of the merits of our claims.

6. More recently, we launched a nationwide advertising campaign to ~~point out~~ ^{show what other} the serious errors in the report, and also to point out to the American public that the nation's media were less than diligent in questioning the EPA's conclusions. The focus of this advertising campaign was an article, "Passive Reporting on Passive Smoke," by Jacob Sullum, which presented a comprehensive overview of the EPA's risk assessment. ^{has been pointed out}

7. Some people are bothered or annoyed by cigarette smoke in the air, and Philip Morris believes their rights and preferences should be respected. That's why we support the principle of accommodation of both non-smokers and smokers, and why we created The Accommodation Program, which now has more than 14,000 member businesses across the country. ^{we should explain TAP.}

why not reference
Congressional Report?

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PROPOSED OSHA WORKPLACE SMOKING BAN

Executive Summary:

The Occupational Safety and Health Administration (OSHA), a division of the U.S. Department of Labor, has proposed a regulation that would effectively ban smoking in all public buildings and indoor workplaces, including restaurants and bars. The proposal is so broad, it ^{could} includes home offices and homes if there is a hired individual such as a plumber or electrician present. Philip Morris U.S.A. believes the OSHA proposal is unnecessary and overly broad, and that business owners, employees and customers should be permitted to develop workplace smoking policies that suit their own particular preferences, without government interference.

OSHA conducted a public comment period, during which more than 200,000 letters were received from consumers and business owners in opposition to the proposed smoking regulations. OSHA will conduct public hearings on this issue, beginning in September 1994. Following the hearings, a revised regulation will be issued. Whatever national smoking policy OSHA decides to implement will, in all likelihood, not take effect until late 1995 or early 1996.

Philip Morris U.S.A. position:

1. The OSHA proposal is unnecessary and overly broad. ~~There are no exceptions to the proposed rules.~~ ^{million of}
2. There is little public support for draconian smoking restrictions. In a USA Today/CNN poll in March, 1994, two thirds ^{of} respondents opposed workplace bans. A Time Magazine/CNN poll in April, 1994, showed that 64 percent of respondents believe that smokers and non-smokers should be accommodated in the workplace. ^{smoking} } support
3. OSHA's proposed regulations are not supported by science. In the scientific literature as a whole there is no conclusive evidence that exposure to environmental tobacco smoke in the workplace and other public places causes disease in non-smokers.] ? AFR
4. Severe smoking restrictions will not solve indoor air quality problems. Only 2 to 5 percent of "sick" buildings investigated in the U.S. and Canada were found to have indoor air quality problems attributable to tobacco smoke, according to The National Institute of Occupational Safety and Health (NIOSH). NIOSH also reports that more than 50 percent of indoor air problems result from poor ventilation. Many times tobacco smoke in the air is just a symptom of poor indoor air quality and ^{improved} adequate ventilation is the solution.] ?

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SMOKING RESTRICTIONS -- WORKPLACE

Executive Summary:

Many employers are choosing to voluntarily ban smoking from the workplace. Philip Morris U.S.A. believes that while employers should have the right to restrict smoking, designated smoking and non-smoking sections are preferable to outright bans. In no case, however, should smoking bans and restrictions be legislated, but instead should be left to each employer's discretion.

Philip Morris U.S.A. position:

1. Philip Morris U.S.A. favors accommodation of both smokers and non-smokers in the workplace through designated smoking areas. We believe a smoking policy that provides for well-maintained and easily accessible smoking areas is the fairest and most efficient way to settle smoking conflicts.
2. An ^{large} overwhelming majority of Americans agree with us. A March, 1994, USA Today /CNN poll found that 68 percent of respondents favor workplace smoking policies that provide smoking accommodation. *67%?*
3. Philip Morris U.S.A. acknowledges that smoking may be bothersome or annoying to some people, and that is why designated smoking and non-smoking sections work best.
4. Smoking bans may infringe upon collective bargaining agreements. In general, the courts have rejected unilateral smoking bans where collective bargaining agreements are in effect. (Commonwealth of Pennsylvania v. Pennsylvania Labor Relations Board, 459 A.2d 452 (pa. Commw. Ct. 1983); Johns-Manville Sales Corp. v. International Ass'n of Machinists, Local Lodge 1609, 621 F.2d 756 (5th Circ. 1980); etc.). A federal agency's office smoking ban was struck down because the agency "refused to bargain" over smoking bans (Department of Health and Human Services Family Support Admin. v. Federal Labor Relations Authority, 920 F. 2d 45 (D.C. Circuit 1990)).
5. Workplace smoking policies often fail to address the real source of employee discomfort -- inadequate ventilation. Building ventilation systems can become choked with fungus, mold and other allergenic substances. Tobacco smoke lingering in the air is the symptom -- not the cause -- of some indoor air problems. In fact, tobacco smoke has been found to be the cause of indoor air quality problems in only two percent to five percent of the buildings studied, according to The National Institute of Occupational Safety and Health.

*we cite
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the April
poll
(preceding
page)*

*where did
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delete?

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SMOKING RESTRICTIONS -- RESTAURANTS and PUBLIC PLACES

Executive Summary:

Some cities, and even the state of California, have passed laws banning smoking in restaurants, hotels, outdoor sports stadiums and even shopping centers. Philip Morris U.S.A. opposes such restrictions in favor of accommodation. Business owners should be permitted to determine their own smoking policies.

Philip Morris U.S.A. position:

1. A March, 1994 USA Today/CNN poll found that 61 percent of respondents favored smoking sections in restaurants and 78 percent favored accommodation in hotels and motels.

2. The owners and managers of individual restaurants, hotels and other businesses serving the public are best qualified to determine the needs and preferences of their customers. Indeed, business owners already have the option of banning smoking.

3. Restaurant smoking bans can impose severe hardships on restaurant owners and employees, who lose business to surrounding communities. Among Los Angeles restaurants polled by the Charlton Research Company, one-third reported a loss of business since that city's smoking ban went into effect. In these restaurants, receipts are down an average of 24 percent, or \$11,000 a month. The survey found that 16 percent of these restaurants have had to lay off workers.

(The City of Los Angeles lost \$10 million when the National Association of Convenience Stores decided to hold their annual convention someplace else. And the city of Bellflower, California, rescinded their restaurant smoking ban after local restaurants saw their business drop by 19 percent.)

4. Philip Morris U.S.A. believes that non-smokers and smokers can be accommodated in public places. So, we created The Accommodation Program for restaurant owners and other businesses in the hospitality industry. The program provides resources and expert advice (from restaurant management consultants and ventilation engineers) on how to best accommodate the preferences of all customers, non-smokers as well as smokers. To date, more than 14,000 businesses nationwide are participating in The Accommodation Program. Business owners can find out more about the program by calling 1-800-800-5197.

b/c of
smoking
restrictions
how do we
know?

true?

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SAN FRANCISCO LAWSUIT

Executive Summary:

In February 1994, the San Francisco City Council enacted strict smoking restrictions that virtually ban smoking in all workplaces, including restaurants.

Philip Morris U.S.A. believes the Council exceeded its authority in trying to regulate smoking in the workplace. Suit was filed against the city and county of San Francisco to have the regulations overturned.

Philip Morris U.S.A. position:

1. Philip Morris U.S.A. has joined with other businesses to bring suit against the city and county of San Francisco, asking that the recently enacted San Francisco smoking ordinance be declared invalid. The lawsuit charges that the San Francisco ordinance is preempted by state and federal occupational safety and health laws, and that the ordinance violates provisions of the California Constitution by exceeding local authority and denying plaintiffs due process. ?
2. After the initial filing in February, several new plaintiffs were added to the suit at their request.
3. ~~A response has been filed by the City, and the suit is moving forward.~~

*See amended
and we are leaving
this pending just
AB 13*

*Do we want to include
academic from AB 13 ?*

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CALIFORNIA BALLOT INITIATIVE Proposition 188

Executive Summary:

In February 1994, Philip Morris U.S.A. joined with a coalition of California businesses in ~~sponsoring~~ ^{supporting} a ballot initiative -- Proposition 188 -- that would allow voters the opportunity to vote for a tough but reasonable statewide smoking law. The California Uniform Tobacco Control Act -- or Proposition 188 as the initiative is known, would guarantee all California businesses the option of accommodating smokers and non-smokers. ^{within stringent guidelines.}

In July 1994, the California State Legislature enacted AB13, a law that establishes a 100 percent total ban on smoking within all places of business within the state, including restaurants.

Philip Morris believes that this law is unreasonable, and is inconsistent with the results of several recent studies that found overwhelming public support for accommodating both smokers and non-smokers in public places.

Philip Morris U.S.A. position:

1. Whereas the law passed by the state legislature, AB13 is a 100 percent ban on smoking, Proposition 188 is an attempt to recognize the rights of both non-smokers and smokers. Proposition 188 would still create tough statewide smoking regulations, but it would also give business owners the opportunity to provide designated areas for smoking.
2. Proposition 188 would not prevent any employer or business owner from banning smoking completely.
3. The anti-smoking law recently passed by the state legislature, AB13, will have a devastating effect on the state's tourism industry. For example, last year the National Association of Convenience Stores (NACS), a nationwide trade association with thousands of members, canceled plans to hold its annual conference in Los Angeles. The reason? A decision by the Los Angeles City Council to ban smoking in most public places, including restaurants and conference centers. Loss of the NACS convention cost Los Angeles hotels, restaurants, and other businesses \$10 million in sales.
4. Proposition 188 will allow the people of California the opportunity to decide what type of smoking restrictions ~~should be enacted.~~

for themselves

they require

how do we know that?

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ADVERTISING RESTRICTIONS

Executive Summary:

Anti-smokers claim that tobacco advertising is a primary reason why minors smoke, and use this false claim as justification for supporting severe restrictions on cigarette advertising and sales practices.

Philip Morris U.S.A. opposes all attempts to restrict the right to advertise. Tobacco is a legal product, and all truthful speech, including advertising, is protected by the First Amendment of the U.S. Constitution.] ?

Philip Morris U.S.A. Position:

1. Free speech, which includes truthful commercial speech, is a foundation of American society and one of the great strengths of our form of government.
2. Restricting or banning truthful speech about legal products would set a dangerous precedent. Further restrictions or bans on tobacco ads would encourage some people to seek further restrictions or bans on advertising for other controversial products, such as alcohol beverages, meat, sugar, sports cars, fur, and so on.
3. Advertising does not cause people to begin smoking. Tobacco advertising is banned in China, Thailand, Bulgaria and Italy, for example, yet those countries are among the world's leaders in per-capita cigarette consumption. Over the last decade, tobacco consumption more than doubled in China but declined overall in countries where tobacco advertising is permitted. >?
4. The purpose of our advertising is to secure our consumers' loyalty and attract consumers of other brands to try our products. According to a 1990 survey by the Roper Organization, as many as 23 percent of smokers switch brands in a year, or about 30,000 a day, representing as much as \$10 billion in annual sales. Advertising is one of the most effective ways to invite adult smokers of competing brands to try our cigarettes.] N this interne research?
5. No research has conclusively shown advertising causes people to smoke. In May 1994, for example, the Federal Trade Commission voted against filing a complaint about allegations that some tobacco advertising was directed at minors. "Although it may seem intuitive to some that [some tobacco advertising] would lead more children to smoke or lead children to smoke more, the evidence to support that intuition is not there," a commission statement said.

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6. Former Surgeon General C. Everett Koop has said, "There is no scientifically rigorous study available to the public that provides a definitive answer to the basic question of whether advertising and promotion increase the level of tobacco consumption."
7. Even present Surgeon General Jocelyn Elders ^{has said} ~~would seem to concur that advertising does not cause people to smoke.~~ "Among environmental factors," she states, "peer influence seems particularly potent in the early stages of tobacco use; the first tries of cigarettes and smokeless tobacco occur most often with peers, and the peer group may subsequently provide expectations, reinforcement and cues for experimentation." (1994 Surgeon General's Report, "Preventing Tobacco Use Among Young People," page 7.)
8. Philip Morris U.S.A. directs its advertising at adult smokers, just as insurance companies direct their advertising at people who buy insurance and publishers direct their advertising at people who spend much of their time reading.
9. Research demonstrates ~~that minors do not start smoking because of cigarette advertising.~~ In a 1994 Gallup Organization survey of smoking by minors, over 90 percent of minors said ~~they started smoking because of the influence of family, friends and peers.~~ In fact, not a single minor who responded to the Gallup survey said that he or she started smoking because of cigarette advertising.

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DEDUCTIBILITY OF ADVERTISING EXPENSES

Executive Summary:

Proposals are routinely made in the U.S. Congress to repeal the deductibility of the tobacco industry's advertising expenses. Advertising deductibility is a tax exemption claimed by virtually every business that advertises in this country. Philip Morris U.S.A. believes that attempts to single out our industry in this manner are unfair and illegal. Advertising costs represent legitimate business expenses. Therefore, the tax deductibility of tobacco advertising costs is not a "subsidy," and should be preserved.

Philip Morris USA's position:

1. Proposals to eliminate the deductibility of tobacco advertising are "back-door censorship." Using the tax code to limit the freedom of speech would violate the most basic American values. Truthful commercial speech is protected by the First Amendment of the U.S. Constitution.]

2. Advertising costs are a legitimate business expense, as essential to industry as salaries, plants and equipment. If tobacco advertising expenses can be singled out for punitive tax treatment, what other business expenses will become non-deductible? Using the tax code to enforce political correctness could open new avenues for tyranny and *de facto* censorship.

3. Some anti-smokers claim that reducing tobacco advertising would reduce smoking. No study has shown that disallowing tax deductibility for tobacco ads would have any effect on cigarette consumption. Countries where tobacco advertising is banned, including China and Italy, have increasing rates of smoking.

5. More than 50 years ago, supporters of Governor Huey Long tried to tax large-circulation periodicals to punish Long's critics in the press. The Supreme Court invalidated the tax, calling it "a deliberate and calculated device, in the guise of a tax, to limit the circulation of information to which the public is entitled." (*Grosjean vs. American Press Co.*, 297 U.S. 233 (1936)).

are we sure?
This could be used against us.

What does this do to deductibility?

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SAMPLES, COUPONS AND PROMOTIONAL MATERIALS

Executive Summary:

Critics claim that Philip Morris U.S.A. uses samples, coupons and promotional offers to entice non-smokers -- especially minors -- to smoke. These false claims are used as justification for additional restrictions on these important marketing tools.

Philip Morris U.S.A.'s promotional programs seek to encourage brand loyalty among our current consumers and brand switching among adult smokers of competitive brands. We do not distribute cigarette samples to anyone under age 21. Our samplers are required to ask each potential recipient if they are 21 years of age or older and if they are currently smokers. ~~People requesting samples through the mail must provide certification that they are smokers and 21 years of age or older.~~ In addition, our contracts for outdoor advertising require that all billboard placements be at least 500 feet away from schools, playgrounds or youth centers.

Philip Morris U.S.A.'s position:

1. Our promotional offers are only made available to smokers 21 years of age or older. These offers allow us to provide added value to consumers to help build loyalty among our customers and promote brand switching among adults who smoke our competitors' brands.

2. We obtain the names, addresses, dates of birth and signed certification of adult smokers to whom we mail branded materials or cigarettes when consumers respond to our written promotional offers.

3. All Philip Morris U.S.A. offers bear a Surgeon General's warning, as required by federal law. All offers clearly state that they are limited to smokers 21 years of age and older. Respondents must verify their ages by including their dates of birth with signed verification forms. ~~Orders received without verification forms are returned as ineligible. All verification forms are recorded and maintained on microfilm.~~

4. If Philip Morris U.S.A. is ever notified that promotional materials have been sent to a minor, that record is immediately coded to insure that no further materials are sent to the minor, even if he or she makes new orders.

5. All promotional activity is conducted in accordance with Philip Morris U.S.A. policy and the tobacco industry's strict, detailed Cigarette Advertising and Promotion Code. For example, with respect to coupons, all coupons distributed

*Went
include guidelines*

guidelines

*what about
retail
promotions?*

delete

delete

*Should we
include?*

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at point-of-sale or via print media include a statement ~~that they can be redeemed~~
only by smokers 21 years of age or older.

big deal!

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POINT-OF-PURCHASE DISPLAYS AND SELF-SERVICE SALES

Executive Summary:

Legislative proposals have been introduced, primarily at the local level, to ban all point-of-purchase displays and to eliminate "self service sales," which include cigarette vending machines. Supporters of this legislation claim that self service sales make it easier for minors to steal cigarettes, and that point of purchase advertising is an enticement for children to smoke.

Philip Morris U.S.A. believes that these allegations are unfounded and would create unnecessary hardships for retailers, would unfairly infringe on our right to advertise, and create an unnecessary inconvenience for adult consumers.

Philip Morris U.S.A.'s position:

1. If minors steal cigarettes from a self-service display, the store manager, not the government, is in the best position to deal with the problem. Shoplifting is illegal in all 50 states.

2. It is also illegal in all 50 states to sell cigarettes to minors. Before additional laws aimed at retailers are imposed, the laws already on the books should be enforced.

3. Eliminating self-service displays places a greater burden on store personnel. Either more employees would have to be hired, or those already employed would be forced to spend a greater proportion of their time making individual cigarette sales.

4. Eliminating point-of-sale materials would also eliminate necessarily the financial inducements manufacturers often offer to retailers in return for prominent point-of-sale placement.

5. In addition, once the precedent is set for eliminating point-of-sale advertising for one controversial product, it is only a matter of time before other items, such as beer, liquor and snack-food products, are also attacked.

6. Eliminating self-service displays creates an inconvenience for adult smokers.

not a
good
argument

also impact the retailer's ability to participate
in programs
offered by
manufacturers.
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J

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SPORTING AND CULTURAL EVENT SPONSORSHIPS

Executive Summary:

events include
~~An integral~~ part of Philip Morris U.S.A.'s marketing strategy is to sponsor appropriate sporting events, concerts, and cultural events that are attended by ~~adult~~ ^{smokers} smokers. Over the years we have sponsored soccer, bowling, women's tennis, IndyCar racing, country music, jazz, rock and roll and rhythm and blues, just to name a few.

Anti-smokers, including some members of Congress, believe that we should not be allowed to participate in these events. Despite having no credible supporting evidence, opponents claim that our participation is inappropriate and causes children to smoke.

We believe that sponsorship of sporting and cultural events should remain a business, not a government decision, and we will continue to pursue sponsorships that fit our marketing objectives.

Philip Morris U.S.A.'s position:

1. ~~Philip Morris U.S.A.~~ ^{we} directs its marketing efforts at smokers 21 years of age and older. We sponsor activities that we believe a large proportion of smokers ~~enjoy~~ ^{are in attendance} and thus through sponsorship of sporting and cultural events we gain an opportunity to communicate directly with our consumers ~~who~~.
2. Who should or should not sponsor sporting or cultural events should remain a business decision -- not a government decision. Our sponsorship will continue to be based on whether the event or program fits our marketing needs -- that is, whether ~~adult~~ ^{smokers} smokers attend the events -- as well as whether we believe we are getting good value for our sponsorship dollars.
3. Philip Morris has been a positive force in women's tennis and auto racing for more than 20 years. According to Billie Jean King, one of the Virginia Slims tour founders, Virginia Slims sponsorship "gave women's tennis the opportunity to thrive in the United States and around the world." *we need her permission.*
4. ~~We do not ask~~ ^{do not} athletes or artists to advertise our products or to endorse smoking or cigarettes in any way. We only ask that they perform to the best of their ability. *this could be used against us. benefit we get is implied.*

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MARKETING TO YOUTH

Executive Summary:

Critics claim that Philip Morris U.S.A. intentionally markets cigarettes to minors. These unfounded allegations are used to support calls for increased restrictions on tobacco marketing and advertising practices.

Philip Morris U.S.A. does not market cigarettes to minors. In fact, we have committed considerable time and resources to preventing minors from smoking. We abide by the tobacco industry's strict, detailed, voluntary Cigarette Advertising and Promotion Code, and support laws, now on the books in all 50 states, that make it illegal to sell tobacco products to anyone under the age of 18.

Philip Morris U.S.A.'s position:

1. Philip Morris does not want minors to smoke. Philip Morris supports laws, now on the books in all 50 states, that make it illegal to sell tobacco products to anyone under the age of 18. However, we recognize that not all retailers understand or enforce these laws. That's why we developed, in conjunction with the National Association of Convenience Stores, the "It's the Law" program. This program helps educate retailers and their employees about minimum age laws, and how to better enforce them.

2. The tobacco industry's voluntary Cigarette Advertising and Promotion Code includes strict rules for almost every element of advertising. All of the models appearing in our ads must be -- and look -- at least 25 years old, for example. All of our promotional items are available in adult sizes only, and none may have any special appeal to children. Philip Morris does not place advertising in college publications, even though most college students are 18 or over and thus legally old enough to smoke.

3. There is no evidence that advertising or marketing practices cause children to smoke. Earlier this year, for example, the Federal Trade Commission decided against filing a complaint about allegations that some tobacco advertising was directed at minors. "Although it may seem intuitive to some that [some tobacco advertising] would lead more children to smoke or lead children to smoke more, the evidence to support that intuition is not there," a commission statement said.

4. Rather, ^{many} scientific studies have concluded that children tend to smoke if a parent or other family member smokes, or if a respected peer smokes. Even Surgeon General Joycelyn Elders would seem to concur. In the 1994 Surgeon General's Report on Smoking and Health, titled "Preventing Tobacco Use Among Young People," Elders wrote: "Among environmental factors, peer influence

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seems particularly potent in the early stages of tobacco use; the first tries of cigarettes and smokeless tobacco occur most often with peers, and the peer group may subsequently provide expectations, reinforcement and cues for experimentation." (Surgeon General's Report, page 7.) Scott Ward, professor of marketing at the Wharton School of Economics, put it this way: "...advertising is among the least influential factors in a young person's developing patterns of consumer behavior."

5. Recent surveys show that the vast majority of American young people disapprove of smoking. Seventy-six percent of high school students believe smoking is "bothersome," "disgusting" or "stupid." (BKG Youth Survey, Advertising Age, April 27, 1992). Of 895 minors surveyed, 98 percent said they believed smoking is harmful. ("Is the Smoking Decision an Informed Choice?" Journal of the American Medical Association, Volume 257, pages 3373-76, 1987.)

6. The negative perception of smoking by minors may also be viewed in relation to the decline in smoking by young people. According to the National Institute of Drug Addiction's Senior High School Survey, from 1983 to 1993, youth smoking has declined from 21.2 percent to 19.0 percent. This trend is consistent with previous NIDA studies which have shown a decline in youth smoking since 1976, when 28.8 percent of adolescents smoked.

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YOUTH SMOKING INITIATIVES

Executive Summary: Philip Morris U.S.A. strongly opposes tobacco use by minors. Smoking is an adult choice and it is illegal to sell cigarettes to minors in all 50 states. We have backed up that conviction by supporting programs and legislation to prevent minors from smoking.

1. **Legislative.** Philip Morris U.S.A. supports a minimum age law of 18 years of age and we have worked with states to pass and enforce these laws. Philip Morris believes that retailers who sell cigarettes to minors should be fined. In those states where retailers are licensed, we believe that retailers who repeatedly sell cigarettes to minors should have their license revoked.

2. **Advertising.** Philip Morris U.S.A. does not place cigarette advertising in publications directed primarily to those under 21 years of age, including school, college, or university media (such as athletic, theatrical or other programs), comic books or comic supplements. PM requires all Out-of-Home suppliers to restrict billboard advertising to at least 500 away feet from any elementary school, junior high school or high school or any children's playground. *away*

3. **Continuity Programs (Marlboro Adventure Team, Marlboro Country Store, V-Wear Catalogs).** In addition to bearing the federally required Surgeon General's warning, all Philip Morris promotional offers clearly state that they are limited to smokers 21 years of age or older and that respondents must verify their age by including a signature and a date of birth when participating. To further safeguard against the possibility that a minor may attempt to participate in a Philip Morris U.S.A. promotion, we only mail cigarettes or incentive items to adult smokers after we receive a signed Age Verification Form. *certify*
done

4. **Sales.** Along with the National Association of Convenience Stores (NACS) Philip Morris U.S.A. developed the "It's the Law" program. This program is designed to educate retailers about their state's minimum age law so that they can work with their employees to prevent cigarette sales to minors. More than 50,000 retailers, chains and other interested parties have received ITL materials. ITL materials are available free of charge simply by calling PM at 1-800-343-0975. *(ITL)*

inc? 5. **Trademark Infringement.** We have taken legal action in more than 1,800 cases where our logos were illegally used on children's toys, candies, clothing and other items. We work continuously, on our own and with the United States Customs Service, to prevent the importation and sale of such products and to trace them back to the manufacturer even if the products are never sold in the United States. We have been particularly active in Taiwan and Thailand, where many of the businesses that produce these products repeatedly spring up. Once located, we attempt to assure the destruction of all contraband merchandise, packaging material and printing plates. *↙*

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MARKETING TO WOMEN, MINORITIES, SPECIAL GROUPS

Executive Summary:

Philip Morris U.S.A. markets cigarettes to all adults who choose to smoke, regardless of their race, color, gender, creed or sexual orientation. All adults are free to make lifestyle decisions.

Philip Morris U.S.A.'s position:

1. Underlying the charge that women and minorities make easy targets for marketing is the belittling belief that they are incapable of making informed personal decisions. Dr. Benjamin Hooks, former executive director of the National Association for the Advancement of Colored People, said "critics of tobacco marketing efforts believe women and blacks are not capable of making their own free choice and need guardian angels to protect their best interests."
2. Philip Morris believes American adults have the intelligence and discretion to make their own choices about whether to smoke. As Congressman Alex McMillan (R-NC) points out, "The fact is that the complaints do not come from those people who are allegedly targeted but from anti-smoking zealots who use them to achieve their own agenda."
3. The diverse array of media vehicles we advertise in reflects the diverse group of adult consumers who smoke. Smokers come from all walks of life and represent diverse interests and backgrounds. Our advertising and promotions are designed to reach all adults who choose to smoke.

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SOLID WASTE AND PACKAGING

Executive Summary:

Like most other consumer products industries, Philip Morris U.S.A. has been criticized by environmental groups both for the packaging we use in our cigarette operations, and for our company's alleged lack of commitment to environmental issues.

By presenting the facts, Philip Morris U.S.A. has largely defused this issue in recent years and we are now perceived by many as a leader on this issue.

Philip Morris U.S.A.'s position:

1. Philip Morris U.S.A. supports the development of an integrated, comprehensive municipal solid waste management system that takes into account all of the tools of solid waste management: source reduction, reuse, recycling, composting, waste-to-energy incineration and landfill. All of these tools need to be used together to help provide an effective solution to the solid waste problem.
2. Philip Morris U.S.A. believes that the overall goal of solid waste management policy should be waste diversion from landfill disposal, not mandates that single out one waste management mechanism (i.e. recycling) and not mandates that target one component of the municipal waste stream (i.e. packaging).
3. Philip Morris U.S.A. also recognizes the value of recycling among the many approaches to municipal solid waste management. For example, our Richmond Manufacturing and Operations Center sends its office and manufacturing waste to the local Municipal Recycling Facility. In addition, our three manufacturing facilities jointly develop strategies for recycling by identifying viable end markets for our manufacturing waste.
4. Although packaging is the most visible component of the municipal solid waste stream, it is only one of many such components. Moreover, packaging provides several important benefits including maximizing product quality and consumer satisfaction. Packaging represents only a small fraction of solid waste management problems.

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TOBACCO UNDER-REGULATION

Executive Summary:

Critics claim that federal, state and local regulation of tobacco products is lax. The fact is, no other product is regulated in so many ways, or by so many agencies, as tobacco products. No additional regulation is warranted.

— true?

Philip Morris U.S.A.'s position:

1. **Claims of under-regulation are political.** The true aim of anti-tobacco activists is not to ensure that tobacco products are adequately regulated but to put the tobacco industry out of business and eliminate a product 50 million American adults use and enjoy. Any system of regulation that fails to guarantee these results will be decried by anti tobacco activists as "under-regulation."
2. **Most independent experts agree that tobacco is well-regulated.** Secretary of Health and Human Services Louis W. Sullivan, for example, told Congress in 1990 that legislation giving HHS additional regulatory authority would not add measurably to the agency's current or planned efforts and was therefore "unnecessary."
3. **The government agencies that currently regulate cigarettes are best suited to do so.** Anti-smoking advocates sometimes complain that cigarettes are not subject to regulation under the Federal Hazardous Substances Act, the Toxic Substances Control Act or the Controlled Substances Act. Cigarettes do not fall into the classes of products and substances addressed by these statutes, and the agencies responsible for administering them lack the expertise and resource to regulate cigarettes.

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FIRE-SAFE CIGARETTES

Executive Summary:

Tobacco industry critics claim that cigarettes are the leading cause of fires in this country and that the tobacco companies have the technology to produce a "self-extinguishing," or "fire-safe" cigarette. Industry critics also allege that the tobacco companies have a secret "pact" not to pursue seriously the development of fire-safe technology.

Philip Morris U.S.A. does not have the technology to produce a "self-extinguishing," or genuinely "fire-safe" cigarette that is acceptable to consumers. Tobacco companies do not have a secret "pact" not to pursue the development of fire-safe technology. ?

Philip Morris U.S.A.'s position:

1. Cigarettes are not a major cause of fires. In 1988, a U.S. Fire Administration symposium on "Overcoming Barriers to Public Fire Education," ranked the lack of fire-safe cigarette legislation 19th in a list of 21 barriers to fire safety. Among the top-ranked barriers:

- lack of strong U.S. Fire Administration public education programs;
- lack of adequate networking to share existing information;
- lack of adequate resources and materials.

2. Fire safety education is the key to reducing the number of fires caused by careless cigarette smokers. Fires cannot be legislated out of existence. The United States has more fires than any other industrialized nation, including Japan and Germany, where significantly larger portions of the adult populations smoke, and where the housing is frequently less fire proof than in the United States.

3. Advances in technology, such as fire-safe cigarettes, cannot be created through legislation. Before any attempt to mandate fire-safe cigarettes, the overall fire safety problem must be addressed, and also both the technical and commercial feasibility of "fire-safe" products.

4. Philip Morris and other tobacco companies have worked for many years to develop fire-safe technology. ~~We have obtained patents for several of our technological developments in the fire-safe area. The processes described in these patents are publicly disclosed through the U.S. Patent Office.~~ Despite our efforts, however, we have yet to develop a "fire safe" cigarette that tastes good and would be acceptable to consumers.

5. The U.S. tobacco industry is driven by consumer demand. ~~As a result, there is no agreement among the tobacco companies to block fire-safe research.~~ In fact, in 1988, the R.J. Reynolds Tobacco Company did launch a cigarette brand called

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Premier. Premier was marketed as a "low smoke" cigarette which, because the tobacco was heated rather than burned, was regarded by some as being "fire safe." However, Premier was unacceptable to consumers and was quickly withdrawn from the market.

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EXPORTS

Executive Summary:

Tobacco industry critics contend that Philip Morris engages in unethical marketing practices overseas, and that our presence in foreign countries has caused increased incidence of smoking. In fact, Philip Morris abides by all the laws, regulations and voluntary agreements to which it is a party in every country where it does business. We export cigarettes to countries where there is already a market for cigarettes. If adults in those countries are going to smoke, we want the opportunity to have them choose our brands.

Philip Morris U.S.A.'s position:

1. In every country where we export cigarettes, smoking is a centuries-old tradition. In fact, smoking is lawful and customary in virtually every country in the world. The question is not whether consumers in these countries will smoke, but whether they will smoke American-made cigarettes or those of our nation's competitors, which are often government-owned monopolies.
2. Philip Morris complies with all advertising, marketing and labeling restrictions in the countries where we do business, including many which impose heavier restrictions than the United States. It is as inappropriate to apply U.S. marketing restrictions to countries overseas, as it would be if those countries were to attempt to impose their laws here.
3. A 1993 General Accounting Office study examined the international marketing practices of American tobacco companies. The GAO found that the companies' advertising was consistent from country to country, and that there was no basis for allegations that the advertising was "targeted" at non-smokers or children. The report also concluded that peer pressure and parental smoking may also influence a person's decision to smoke." *Am in sec.*
4. There is no evidence that the presence of American cigarettes in a foreign country affects smoking trends in that market. Adults around the world have been choosing to smoke for hundreds of years and will continue to do so whether or not American products are available.
5. American cigarettes and tobacco are recognized around the world as the finest. The tobacco business is one of the few consistent contributors to the positive side of the U.S. trade balance. In 1993, cigarettes generated a trade surplus of almost \$3.5 billion, making them America's most valuable manufactured export after aviation.

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6. The U.S. government provides the same assistance to the tobacco industry as it does to the manufacturers of all legal products. We believe that U.S. tobacco products should not be denied fair treatment by foreign countries simply because some groups in the U.S. object to smoking.

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JOB DISCRIMINATION AND PRIVACY

Executive Summary:

^{Some} Many employers believe they have a right to dismiss, or refuse to hire individuals who smoke during non-working hours. Employers allege that smokers are less productive, miss work more often and incur greater health care costs than non-smokers.

We believe that such practices are unwarranted intrusions into employees' personal lives. We actively support legislation, now on the books in 29 states, to prohibit hiring or firing decisions based on legal off-the-job activities.

Philip Morris U.S.A.'s position:

1. An employer's right to control the legal behavior of employees ends at the factory gate or office exit. Our society values the distinction between company time and private time, and we should work to preserve that distinction. We support legislation -- already enacted in 29 states -- that forbids an employer from penalizing current or prospective employees for smoking off the job.

2. Americans increasingly agree that employers have no right to interfere with employees' off-the-job behavior. The 1993 Harris-Equifax Health Information Privacy Survey reported that 80 percent of Americans are very or somewhat concerned about threats to their personal privacy. Discriminating against employees or job applicants because they choose to smoke when they are away from work paves the way for greater intrusion by employers.

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TOBACCO PRICE SUPPORT PROGRAM

Executive Summary:

Tobacco farmers do not receive any federal "subsidy." The Tobacco Price Support Program is a cooperative effort among farmers and manufacturers to avoid sudden catastrophic changes in the supply and price of tobacco.

Philip Morris U.S.A.'s position:

1. The Tobacco Price Support Program does not cost taxpayers a cent. It relies on government-backed loans, not gifts to farmers. These loans are repaid in full by the farmers -- with interest.
2. The Tobacco Price Support Program is a cooperative effort that guarantees farmers fair prices for their crops, and helps prevents wild swings in tobacco prices that could ruin family farms. Because of agreed upon quotas, the end result of the program is a smaller supply of domestic tobacco.] ?
3. Cooperative efforts by farmers have nothing to do with public health policy. Even former Surgeon General C. Everett Koop, an outspoken anti-smoker, has said that the Tobacco Price Support Program is an agricultural and economic matter, not a health issue.

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DIVESTMENT

Executive Summary:

Some investment funds and other holders of Philip Morris stock have decided to sell their holdings as a way of protesting the company's tobacco operations. Other firms have threatened to "divest" their holdings if Philip Morris does not adequately address their political or social concerns.

We believe that Philip Morris stock is an excellent investment, and that any investment manager who makes a decision not to invest in our company, based on a sense of moral righteousness or political correctness, is not serving the interests of their investors. The job of investment managers is to make decisions based on financial considerations. Indeed, it is their fiduciary responsibility to make decisions for financial reasons only. —

Philip Morris USA's position:

1. Investment managers must maintain a clear distinction between political and financial considerations. If some activist group's protests were allowed to affect investment decisions, virtually no industry or organization would be safe from attack. Even U.S. government bonds would be vulnerable, as the government is criticized by some for being in the weapons and nuclear energy businesses, and by others for deriving substantial revenue from taxes on controversial products like tobacco, alcoholic beverages and gasoline.
2. Investment managers must maintain a long-term perspective. It would be wrong to hold the financial security of thousands of people hostage to political or social passions of the moment.

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PRODUCT PLACEMENT

Executive Summary:

Philip Morris U.S.A. has been accused of paying movie producers, actors and other people in the film industry to place Philip Morris products on screen.

The truth, however, is that Philip Morris does not pay to have our products featured in movies. We do not cooperate in any way with film or television producers to gain product placement.

Philip Morris U.S.A.'s position:

I. Philip Morris U.S.A. neither solicits nor accepts any offers to have our products, signage or other advertising and promotions placed in any film, television show or theater production. We turn down every offer and request that comes our way.

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TOBACCO PROHIBITION

Executive Summary:

Some anti-smokers advocate a complete ban on tobacco. This, despite the fact that Prohibition has already been tried in this country and didn't work. Philip Morris U.S.A. opposes any attempt to return to prohibition on alcohol or cigarettes, whether it be by an outright ban or excessive taxation.

Philip Morris U.S.A.'s position:

1. A ban on tobacco would serve no useful purpose. The Volstead Act, which banned beverage alcohol in the 1920's, made criminals out of millions of otherwise law-abiding Americans. A ban on tobacco ~~would~~ have the same effect: it ~~would~~ create an enormous black market, provide lucrative new opportunities for violent criminals, and turn almost 50 million ordinary citizens into lawbreakers.] -delete.
2. We should learn from the mistakes of other countries. We have seen the severe negative effects of Canada's tobacco taxes, which were so high that they verged on outright prohibition. According to some economists, during the early 1990's one in four cigarettes consumed in Canada was contraband. Minors found it easier to get hold of cigarettes because they were being sold from car trunks. The illegal trade became increasingly violent. Finally, in order to stem the tide of smuggling, the Canadian federal government and several provinces rolled back cigarette taxes in February, 1994.
3. If tobacco were banned, local, state and federal agencies would lose \$13 billion in excise and sales tax revenues every year. That money would have to be made up with painful new spending cuts or higher taxes.
4. In addition, devastating job loss nationwide would occur if cigarettes were suddenly to become illegal. The tobacco industry creates, directly and indirectly, about 2.3 million jobs in the United States. Those jobs generate more than \$66 billion annually in compensation, and the tobacco industry generates more than \$38 billion in taxes -- when you add up tobacco taxes, personal and corporate income taxes, social security and sales taxes.

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SOCIAL COSTS

Executive Summary:

Some anti-smoking critics claim that cigarette smoking imposes a "social cost" on society. In testimony before a Congressional committee in March 1994, former Johnson and Carter Administration official Joseph Califano claimed that treatment for smoking related diseases accounted for \$16 billion of Medicare's \$87 billion budget.

But the very idea of a "social cost" of human activity is spurious. Shall we assign a "social cost" to time "wasted" eating, sleeping or relaxing when productive work could be done?

Philip Morris U.S.A.'s position:

1. Almost any activity can also be said to impose "social costs." Obesity allegedly "costs" \$49 billion a year (American Medical Association, "Factors Contributing to the Health Care Cost Problem," March 1993), and softball injuries produce an annual "social cost" of \$2 billion in medical expenses and lost work days (*Morbidity and Mortality Weekly Report*, March 25, 1988). The tax code is meant to raise revenues, not change social behavior or recover "social costs."

2. Smokers often pay extra for health and life insurance. In addition, smokers pay federal, state and local governments an additional \$13 billion a year in taxes that non-smokers do not pay.

3. If there is any "cost" associated with smoking, it is a private cost, borne solely by the individual who chooses to smoke.

delete.

4. Proponents of social cost theory assume smokers are less productive or miss work more often than other workers. Neither of these claims has been shown to be true.

how do we know?

5. Social cost theory implies that citizens are the property of the state. Their loss to the workforce thereby becomes equivalent to the loss of a steer on a ranch or the breakdown of a piece of machinery. This reasoning may be appropriate for machines and animals, but not for human beings.

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ADDICTION

Executive Summary:

Over the years, anti-smokers have claimed that nicotine is addictive and that cigarettes should therefore be more rigorously regulated. In recent months, these claims have been revived, most notably by Food and Drug Administration Commissioner David Kessler, and Representative Henry Waxman (D-CA).

Philip Morris believes strongly that nicotine is not addictive. More than 40 million Americans have been able to quit smoking, 90 percent have done so without any outside help. Furthermore, smoking is not intoxicating nor does it impair judgment as truly addictive drugs do. Current efforts to label nicotine as "addictive" trivialize the very real social crises of addiction to drugs like heroin and cocaine.

Philip Morris U.S.A.'s position:

1. Nicotine is not addictive. Many candy lovers say that they are "addicted" to chocolate. Unfortunately, many Americans tend to loosely use the word "addiction" to refer to their enjoyment of a particular product, and this usage has been finding its way into official pronouncements. For example, former U.S. Surgeon General C. Everett Koop once proclaimed that video games were "addictive."

2. Nicotine occurs naturally in tobacco. The presence of nicotine, however, does not make cigarettes a drug or smoking an addiction. Caffeine occurs naturally in coffee but few would consider coffee a drug or coffee drinkers to be "drug addicts."

3. People can and do quit smoking. According to the 1988 Surgeon General's Report, there are more than 40 million former smokers in the United States and 90 percent of those who quit did so on their own, without any outside help. This does not fit the profile of an addictive drug.

4. Smoking is not intoxicating nor does it impair judgment. No one has claimed that smokers cannot function normally nor is anyone likely to be arrested for "driving under the influence of cigarettes."

5. In the past 40 years, ^{overall} ~~average~~ nicotine ^{yields of our} ~~levels in~~ cigarettes have ^{declined} ~~fallen~~ by 50 percent due to consumer ~~demand for "lighter" products~~ ^{preference}. Consumers' desires for lower-nicotine products does not fit the profile of addictive behavior.

6. In August 1994, an advisory panel to the Food and Drug Administration, based on a one-day meeting, declared that cigarettes are addictive and that nicotine is the addictive ingredient in cigarettes. The panel's conclusion was not a

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Task Force

why are we including this?

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why are we including this?

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surprise to the tobacco industry, as the Surgeon General had already reached the same conclusion six years ago. However, several committee members found the term "addictive" ambiguous, and proposed the term "dependence" instead. The advisory panel has no authority to regulate tobacco.

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CLASS ACTION LAWSUITS

Executive Summary:

Several class action lawsuits have been filed lately against Philip Morris and the tobacco industry. Most of these cases claim the industry was aware that smoking was either a health hazard or addictive, and plaintiffs are attempting to recover damages for health care costs for the treatment of diseases allegedly caused by smoking.

Philip Morris believes that each of these cases is without merit. In each case, the biggest winner from a judgment against the tobacco industry will be the plaintiff's attorneys, who stand to reap as much as 30 percent of any reward.

Philip Morris U.S.A. position:

1. All of the class action suits against Philip Morris are without substance or merit.
2. These cases are no different from the product liability cases that Philip Morris has been successfully defending against for years. No tobacco industry defendant has ever paid a penny in damages as a result of any of these suits.
3. Juries have consistently understood in the past that individuals make the informed choice to smoke and thereby incur any risks that may be associated with smoking.
4. In the recent class action suits, as in the previous product liability actions, it is the plaintiff's burden to prove, for each and every individual, that his or her illness was caused by cigarette smoke and nothing else.
5. In instances in which a particular state is the plaintiff, the only difference is that, because the state is the plaintiff, the costs for litigating the suit will be paid for by the taxpayers. Other than that, it is fundamentally the same as the other smoking and health cases of the past.
6. The state of Florida recently passed a law that holds manufacturers responsible for state Medicaid costs. Under the terms of this new law, plaintiffs would virtually be denied the opportunity to defend itself against claims that its products caused physical harm. Philip Morris U.S.A. has joined with a coalition of Florida businesses in filing a lawsuit seeking to overturn this law.

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CLASS ACTION LAWSUITS

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CHILD CUSTODY CASES

Executive Summary:

A parent involved in divorce proceedings tries to obtain custody of children on the basis that the other parent is a smoker.

We believe that no parent should lose custody of children because he or she smokes. Many everyday behaviors present potential health risks to adults and their children, including driving, swimming and other recreational sports, eating rich foods, and so on. Child custody should not be lost because of any legal, private behavior.

Philip Morris U.S.A.'s Position:

I. We believe smoking-based child custody claims are based on false assumptions. Child custody cases against smokers are rooted in the Environmental Protection Agency's 1993 report on the effect of environmental tobacco smoke (ETS) on non-smokers. Philip Morris believes that this report is fundamentally flawed, and that its conclusions are unsubstantiated by existing science. Philip Morris is so convinced that this report is in error that we joined other ^{company} tobacco industry groups in filing a lawsuit in federal court to have the entire report declared null and void.

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INGREDIENTS

Executive Summary:

Philip Morris U.S.A., along with all U.S. tobacco companies, is required by law to disclose annually to the Department of Health and Human Services a list of all ingredients used in the manufacture of cigarettes. All the ingredients on this comprehensive list have been approved by the federal government -- and have been known to the federal government for decades. We are not, however, required to disclose this list to the general public, which has caused some outspoken tobacco opponents to create the perception that the industry had something to hide in not disclosing the list.

In an effort to dispel any doubts about our ingredients, Philip Morris U.S.A. voluntarily disclosed this list in March 1994.

Philip Morris U.S.A.'s position:

1. Philip Morris has released the full list of the ingredients it uses in manufacturing its cigarettes. At the same time, we released an assessment of those ingredients conducted by six renowned scientist who concluded "The ingredients added to tobacco in the manufacture of cigarettes by the six major U.S. manufactures are not hazardous under the conditions of use."
2. The ingredients used by Philip Morris have been scrutinized annually by the Department of Health since 1986.
3. The ingredients are all common foods, or are on the Food and Drug Administration's list of approved food additives, or are substances generally recognized as safe by the Flavor and Extract Manufacturers Association, or are regulated by federal agencies.
4. The confidentiality of Philip Morris' ingredients list was and is protected as a trade secret under the Federal Cigarette Labeling and Advertising Act. Philip Morris has chosen to release the full list voluntarily to set the record straight.

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